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# Privatization in British Columbia: What the Experts Say Will Happen

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### Résumé de l'article

Dans plus de cent pays, on a implanté la privatisation ou l'on a fait des recherches sur le sujet. L'attention qu'on y apporte est en parallèle avec les inquiétudes relatives à l'augmentation de l'importance et du nombre des États tant sous les régimes démocratiques que totalitaires que dans les pays capitalistes ou socialistes. Le gouvernement de la Colombie-Britannique s'est servi du concept de la privatisation pour promouvoir un certain nombre d'idées portant sur la restructuration du gouvernement. Ces idées incluent: un gouvernement plus réceptif à ce qu'il peut faire de mieux, en instituant une politique, en administrant et en fournissant les services que le secteur privé ne peut pas donner efficacement; l'élaboration de possibilités nouvelles de création d'entreprises et d'emplois de même qu'une diminution des coûts. On peut noter plusieurs exemples valables de privatisation, tels l'entretien des routes et des ponts, les services d'impressions du gouvernement, etc.

L'établissement de prévisions exactes en ce qui a trait à l'avenir des relations professionnelles en Colombie-Britannique est difficile à dissocier de l'émotivité. Celles-ci dépendent en grande partie de l'idéologie patronale ou syndicale. Toutefois, les questions concernant l'avenir des relations du travail face à la privatisation renvoient à quatre sujets principaux: la structure et les mécanismes de négociation; la stabilité de l'emploi et les salaires; la dimension, la force et le militantisme des syndicats et d'autres conséquences, dont on ne s'est pas encore rendu compte.

Bien des gens ont exprimé des inquiétudes au sujet des tentatives de privatisation des services gouvernementaux. Comme la privatisation peut entraîner le déplacement ou l'élimination d'emplois dans le secteur public, la question est très importante pour le syndicalisme. Cette étude, par conséquent, a pour objet d'en examiner les effets sur les relations professionnelles en Colombie-Britannique.

Nous avons choisi d'utiliser la méthode Delphi qui consiste à faire appel à l'expérience de spécialistes qui oeuvrent dans divers champs d'activités en leur soumettant des questionnaires réitératifs de façon à en distribuer les réponses anonymement entre les spécialistes. Ceci encourage à la recherche de consensus plutôt qu'à des expressions personnelles d'opinions. On a demandé la participation de trois groupes différents représentant les syndicats, les employeurs et les indépendants ou les neutres. Les personnes choisies possédaient de l'expérience dans les relations professionnelles (n= 15). Les responsables syndicaux dirigeaient une association importante, les neutres comprenaient des professeurs d'université (ceux-ci agissant aussi comme arbitres), des arbitres et un consultant.

Tous les participants étaient de sexe masculin et jouissaient d'une haute renommée d'expertise en matière de relations du travail. À chaque réitération du questionnaire, on a demandé à ces spécialistes de donner l'ordre plausible des événements qui pourraient survenir dans les quatre champs d'action se rapportant aux relations du travail. On les incitait à y ajouter les explications qu'ils estimaient nécessaires pour justifier leurs opinions et à apporter des commentaires s'ils le jugeaient pertinent. Le processus des interviews et la cueillette des données ont duré plus de trois mois. La période, qui s'est écoulée entre chaque échange de questionnaires, avait pour objectif d'encourager les participants à réfléchir davantage aux questions en jeu et, peut-être, à accepter les points de vue de leurs collègues. Donc, les conclusions auxquelles ils en sont arrivées sont le fruit d'une longue méditation au cours de laquelle les chercheurs ont essayé de provoquer chez leurs répondants la reconnaissance d'un éventail complet des enjeux possibles. Certains résultats se dégagent de cette étude.

### LA NÉGOCIATION CENTRALISÉE

La privatisation peut fragmenter le côté patronal à la table des négociations. Un aspect moins consistant des conclusions, soutenu uniquement par les dirigeants syndicaux et les neutres, indique que la négociation centralisée deviendra plus complexe du fait que l'existence de salaires et d'avantages sociaux différents entre les divers syndicats et sections locales qui sont parties aux pourparlers. La négociation sera moins facile à manoeuvrer et les unités de négociation deviendront plus complexes.

### LA STABILITÉ DES EMPLOIS ET DES SALAIRES

La privatisation influencera la stabilité de la main-d'oeuvre et des salaires. Cela peut se traduire par des perturbations dues à la relocalisation des travailleurs, la nomination aux postes vacants, la réponse aux problèmes et aux plaintes de la part des salariés relocalisés. Les spécialistes s'accordent à prédire que les salaires et les avantages sociaux dans les groupes de travailleurs touchés par une nouvelle privatisation décroîtront probablement sous l'effet des forces du marché du travail. On pressent aussi que ces diminutions auront des répercussions sur le secteur public en général, y entraînant un recul des salaires.

D'autres observations (qui traduisent les points de vue des dirigeants syndicaux et des neutres) considèrent que le nombre des grèves et des lock-out augmentera. On ne peut cependant en déduire avec certitude que les mouvements de grèves s'accroîtront, car il pourrait s'agir d'actions isolées, occasionnelles.

### PUISSANCE DES SYNDICATS ET COÛT DE L'ACTION SYNDICALE

La privatisation rendra l'activité syndicale financièrement plus coûteuse, mais il n'y a pas d'indice permettant de croire qu'il s'ensuivra des divisions dans les syndicats entre les plus ardents militants et les syndicalistes modérés. C'est également l'impression générale que les employeurs et les syndicats auraient fort à faire pour améliorer les relations professionnelles durant cette période.

Il n'est pas encore évident que la privatisation ait abaissé le coût des services gouvernementaux. Toutefois, l'engagement initial en sa faveur a beaucoup ralenti car il devient plus difficile d'identifier des cibles attractives tant au plan économique que politique. Quelques-unes des entreprises publiques les plus en vue, comme les services d'électricité et de traversiers ainsi que l'assurance-automobile, n'ont pas fait l'objet de débats sérieux à ce sujet. Les prévisions clés, en ce qui concerne l'avenir des relations du travail, semblent encore vraies après un an. Les effets définitifs de la privatisation ne seront pas connus avant nombre d'années. Cependant, il est certain que les conséquences en seront bien plus complexes que le seul fait de transférer certaines activités de production et de services au secteur privé. Celles qui touchent le domaine des relations professionnelles semblent être d'une importance majeure.

# ***Privatization in British Columbia***

## ***What the Experts Say Will Happen***

**Barton Cunningham**  
**and**  
**Lari Mitchell**

*Privatization is being either implemented or investigated in over 100 countries and has become the plan of action for the B.C. government, beginning in the October, 1987. The goal of this project was to predict the effects of privatization on labour relations in British Columbia. Specifically, it sought to understand how privatization might affect worker stability and wages, the structure and mechanisms for bargaining, the union's structure and size, and the like. A delphi procedure was carried out in the early fall of 1988 which sought to sample three different groups — representing union, management, and neutrals (eg., arbitrators). Those targeted were some of the highest ranking labour relations practitioners in British Columbia. The future of B.C. labour relations, based on the delphi prediction, is one of short term instability for job holders, lower wages, and fragmentation of management's approach to bargaining. There could be increased costs for unions, more militancy, and more difficulties in improving labour relations.*

Privatization is being either implemented or investigated in over 100 countries<sup>1</sup>. This interest parallels the concerns about the growth in the size

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<sup>1</sup> Peter YOUNG, «Privatization Around the World», in Steve H. HANKE, *Prospects for Privatization*, New York, The Academy of Political Science, 1987, pp. 190-206. For an overview of privatization initiatives in developing countries, see William P. GLADE (ed.), *State Shrinking: A Comparative Inquiry into Privatization*, Austin, Texas, University of Texas, 1986.

and number of governments in both democratic and totalitarian systems, or in capitalist or socialist countries<sup>2</sup>.

Many people have expressed a great deal of concern about efforts to privatize government services. As privatization can mean the transfer or elimination of public sector jobs, it has become of particular interest to the trade union movement. This essay therefore seeks to examine the effects of privatization on labour relations. Its goal is to identify the ramifications privatization will have on specific aspects of labour relations in British Columbia (B.C.).

Examples of comprehensive privatization in countries with traditionally strong labour movements include Great Britain and New Zealand<sup>3</sup>. In Britain, the Trades Union Congress, and its affiliated labour unions, have been fighting privatization with massive publicity campaigns. There are estimates that almost 200,000 jobs have been eliminated through the sale of Crown corporations and major government holdings. Many more have been lost through contracting out traditional government work<sup>4</sup>.

The New Zealand Federation of Labour has not been able to develop a co-ordinated response to privatization. Although the New Zealand government's privatization initiatives are still in their early stages, there are reports of thousands of redundancies and job losses for union members as the Lange government privatizes government services or deregulates industries. These have been accompanied by newspaper headlines describing «Unemployment rises to 81,558» as a result of controversial changes to New Zealand's labour laws<sup>5</sup>, «Coal Staff stunned in face of huge job losses<sup>6</sup>» and «Layoffs swell jobless to 11,500 in year<sup>7</sup>».

In 1987, the B.C. government committed itself to a comprehensive program of privatization of government services. The mandate from the Premier's office to all the ministries and Crown corporations was to examine everything in government as possible candidates for privatization<sup>8</sup>.

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2 For an illustration of the size of the U.S. federal government, and a comparison with other governments see: E.S. SAVAS, *Privatization: The Key to Better Government*, Chatham, New Jersey, Chatham House Publishers, Inc. 1987, pp. 13-32. See also: Randall FITZGERALD, *When Government Goes Private: Successful Alternatives to Public Services*, New York, Universe Books, 1988. This book discusses several cases on privatization in the United States.

3 Peter MCKINLAY (revised edition), *Corporatisation: The Solution for State Owned Enterprise?*, Wellington, Victoria University Press, 1987.

4 *Bargaining in Privatized Companies*, London, Trades Union Congress, 1986, p. 1.

5 *New Zealand Herald*, February 20, 1987.

6 *New Zealand Herald*, February 27, 1987.

7 *New Zealand Herald*, March 1, 1987.

8 Conversations with Peter Clark, Co-ordinator of the Privatization Working Group, and Barb Poole, researcher on privatization for Ministry of Inter-Governmental Affairs, February and March, 1988.

As of December 1988, \$840 million worth of Crown corporations and other government run services had been sold off. The sales have involved 2807 employees. Another 2,671 employees, whose work has been targeted for privatization but not yet sold, may also be involved in the first privatization wave. A further 1,432 employees have been transferred to the private sector as a result of privatization<sup>9</sup>.

The B.C. government used the concept of privatization to promote a number of ideas of governmental restructuring. These included: (i) more responsive government, focusing on the things government does best; setting policy, managing and providing services that cannot be effectively delivered in the private sector; (ii) creation of new business opportunities and jobs; and cost savings<sup>10</sup>. Examples include the privatization of road and bridge maintenance and the government printing services, among others.

*Road and Bridge Maintenance.* The government proposed the sale of all existing road and bridge maintenance facilities and equipment and called for private sector proposals to perform the service. The government divided the province into 28 contract areas, although not all of the areas were finally contracted out because of community opposition. As of January 1990, it was still not clear whether the services were more efficient, although there have been strong accusations that they were more expensive and less safe<sup>11</sup>.

*Queen's Printer Publications.* The government sold the Queen's Printer to a private corporation owned by six former employees for \$352,000. Savings to the government are estimated at \$50,000 per year<sup>12</sup>. This is an example of a privatization initiative which seemed to save costs and increase efficiency.

Accurate predictions about the future of B.C.'s labour relations are difficult to separate from emotion. Estimates of the future seem to flow from management or union ideology. Nonetheless, questions about the future of labour relations seem to fall into four general areas concerning: (1) the structure and mechanisms for bargaining; (2) the effect on stability and wages; (3) the effects on unions' size, strength and militancy; and (4) other as yet unrealized effects of privatization.

9 «Privatization taking root in Victoria», *Vancouver Sun*, Sept. 1988, p. D5.

10 PRIVATIZATION GROUP, Government Management Services, «Privatization Manual», *Opportunities B.C.*, Victoria, Province of B.C., May 1989, p. 1.

11 C. BRUNANSKI, «Special report — The B.C. government employees union — union calls government on highways privatization», *B.C. Politics and Policy*, Vancouver, B.C., 1988, Vol. 12, p. 7.

12 PRIVATIZATION GROUP, Government Management Services, «Sales of Queen's Printer Publications: Background Information», *Opportunities B.C.*, Victoria, Province of B.C., 1988, p. 2.

This paper seeks to provide a prediction of the effects that privatization will have on the B.C. labour movement based on the views of carefully selected experts. It illustrates the results of a Delphi procedure which sought to build a consensus about the future.

## BACKGROUND ON PRIVATIZATION

Privatization is the transferring of the production of goods and services from the public sector to the private sector. At its lowest common denominator, it means «having the private sector accomplish that which was previously done by the public sector<sup>13</sup>». Privatization has also been defined as «the transfer of functions previously performed exclusively by government, usually at zero or below full-cost prices, to the private sector at prices that clear the market and reflect the full costs of production<sup>14</sup>».

The range of privatization cases can be better understood by recognizing the type of services being transferred to the private sector. For instance, some of the government functions might be defined to *provision*, or make policy decisions for providing a good or service. Other functions might be defined as *production*, or the administrative action to produce that good or service. A government might decide to privatize the production function, as when a city contracts with a private policing firm to provide security at a public function. Or, both the provision and production functions might become privatized, as when a department store decides that it wants to hire some security police and then employs them<sup>15</sup>.

Privatization seeks to (1) reduce governmental control over the public (2) increase economic efficiency and (3) reduce the size of the bureaucracy<sup>16</sup>.

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13 Madsen PIRIE, *Dismantling the State*, Los Angeles, The Reason Foundation, 1985, p. 3.

14 Calvin KENT, «Privatization of Public Functions: Promises and Problems», in Calvin KENT, *Entrepreneurship and the Privatizing of Government*, London, Quorum Books, 1987, p. 4.

15 A fuller description of this definition can be found in: T. KOLDERIE, «Two Different Concepts of Privatization», *Public Administration Review*, July/August 1986, pp. 285-290.

16 These three aspects of privatization are similar to those which have been used to describe the U.K. experience which include: (1) denationalization — the sale of public sector assets, (2) deregulation — the opening of state activities to private sector competition, (3) tendering — the contracting out of public provision to private firms. See for example: John KAY, Colin MAYER, and David THOMPSON (eds.), *Privatisation and Regulation — the U.K. Experience*, Oxford, Clarendon Press, 1986, pp. 2-5. It has also been defined as an effort: (1) to reduce public expenditures, (2) to reform public expenditures by making them more efficient and effective, and (3) to turn more public services over to private operation. See: John A. REHFUSS, *Contracting Out in Government*, San Francisco, Jossey Bass, 1989, p. 6.

### Reducing Governmental Control

Privatization may be viewed from the perspective of political philosophy as well as more local control. This argument seems to flow from the philosophy that we have greater freedom if we have less government control over one's affairs. This argument is summarized by Savas.

As more of people's earnings are taken by government, as decisions about the disposition of those moneys are made by increasingly distant and unresponsive organs of government, and as government's presence pervades more areas of human activities, there is a loss of freedom<sup>17</sup>.

It is often pointed out that contracting out increases local control and responsiveness. It offers the opportunity to change policy directions<sup>18</sup> as well as maximizing local options. The question of saving money might be secondary for cities facing the decision on privatization. Cities often regard the large number of city services as a hindrance to the true function of a municipality, which is to provide policy decisions on the provision of service. There are a wide range of possibilities for producing the service; less municipal production means more time to evaluate where and how services should be provided<sup>19</sup>.

A relevant question which might be asked about the future of labour relations under privatization concerns how reducing central government control could conceivably affect the structure of bargaining with labour.

### Increasing Economic Efficiency

Some advocates of privatization suggest that the private sector is more efficient than the public sector because of the superior discipline and incentives in the free market system. This belief flows from several arguments. The public sector is too expensive because it does not have to compete in the market place. Protected by its monopoly position, government always has customers, and near infinite access to taxpayers' money. Insulated from the

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17 E. S. SAVAS, «An Empirical Study of Competition in Municipal Service Delivery», *Public Administration Review*, Vol. 37, No. 6, November/December 1977, pp. 714-717. See also: E. S. SAVAS, «Policy Analysis for Local Government in Municipal Service», *Policy Analysis*, 1977, No. 3.

18 See: John A. REHFUSS, *Contracting Out in Government*, San Francisco, Jossey Bass, 1989, p. 17.

19 CALIFORNIA TAX FOUNDATION, *Contracting Out Local Governmental Services in California*, Sacramento, California Tax Foundation, 1981.

need to be efficient, the resulting cost increases are passed on to the public<sup>20</sup>. However, whenever a government entity needs to expand or modernize, it must compete against other government entities, such as hospitals and schools. Government's chronic under-capitalization compounds other inefficiencies.

Money also goes to public sector unions who do not have to worry about excessive wages bankrupting the firm. The cumulative result is too many competing claims, antiquated equipment, poor productivity. According to the Fraser Institute, the public sector is viewed as more expensive than its private sector counterpart chiefly because public sector unions hold a strategic position unique to government situations<sup>21</sup>. Often, public organizations are overstaffed<sup>22</sup>.

There is one suggestion that efficiencies in privatization result from the way that private employers use their labour. One U.S. study compared eight services in twenty cities in the Los Angeles area and pinpoints how savings are achieved by contracting out. That is, contrary to the conventional wisdom, private employers pay their employees as much, and savings come from using less labour, lower absenteeism, more responsibility, more part-time labour, more employee terminations, and less capital equipment<sup>23</sup>.

The efficiencies in government could affect the efficiencies and capabilities of unions to operate. There effects might be seen in increased strike activity, increased instability, and lower wages.

### **Reducing the Size of the Bureaucracy**

It is suggested that the bureaucracy is too big and unwieldy, and is populated and controlled by civil servants likely to be motivated by self rather than public interest.

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20 It is suggested by privatization advocates that the public sector is 20 – 40% more expensive than the private sector for equivalent service. See: Madsen PIRIE, *Fraser Forum*, special issue, May, 1987.

21 Sandra CHRISTENSEN, *Unions and the Public Interest*, Vancouver, The Fraser Institute, 1980, pp. 2-8.

22 Calvin KENT, «Privatization of Public Functions: Promises and Problems», in Calvin KENT, *Entrepreneurship and the Privatizing of Government*, London, Quorum Books 1987, p. 17.

23 B. STEVENS (ed.), *Delivering Municipal Services Efficiently: A Comparison of Municipal and Private Service Delivery, Summary*, Report prepared for the U.S. Department of Housing and Urban Development, New York, Ecodata Inc., 1984.

Control of government is facilitated by the bureaucrat's superior access to information. He/she writes the reports, controls their circulation, and communicates the information to the politician. If knowledge is power, the bureaucrat is likely to be more powerful than the minister he serves.

The bureaucrat can also lobby ministers directly and with relative ease, having superior access to the corridors of power. Bureaucrats can pursue their own goals in ways their private sector counterparts cannot. Further, linking pay to department size is an incentive for bureaucrats to expand their departments<sup>24</sup>. The result is «free spending administrators [who] can always increase the scope and extent of their activities, but more cautious legislators are unable to decrease them in times of stringency<sup>25</sup>».

There are also some observers who suggest the government's structure and political nature make it difficult to manage. The recognition that managers are responsible for public funds often means slow, deliberate decision making, and occasional aversion on the part of management to risk taking. Governments may be doing too much under centralized, ministerial authority to maintain proper control. The sheer volume of decisions, combined with the political overtones of spending public funds, reduces the number of decisions which can be effectively made<sup>26</sup>.

These reviews of privatization lead some to conclude that big government is too cumbersome and inefficient. The discipline and response to consumer demand of the private sector will result in efficiencies not possible with government. However, these reviews provide little indication on broader, global questions about labour relations. They highlight that the changes in organizational structuring may be having profound effects, using measures of governmental control, cost effectiveness, and organizational size. Important effects, we assume, are the workers themselves and the general nature of labour relations between management and labour<sup>27</sup>. The reduced size of governments could affect the size and power of unions, the costs they might incur, and their general prestige.

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24 Steven LITTLECHILD, *Taming of Government*, London, Institute of Economic Affairs, 1979, p. 23.

25 Madsen PIRIE, *The Principles and Practices of Privatization*, Fraser Forum Special Issue, May, 1987, p. 1. See also: Madsen PIRIE, «Principles of Privatization», in Michael WALKER (Ed.), *Privatization: Tactics and Techniques*, Vancouver, The Fraser Institute, 1987, pp. 1-14.

26 Hugh Curtis, former Minister of Finance with the B.C. Government, in a privatization seminar speech in Vancouver, May 21, 1987.

27 David THOMAS, «The Union Response to Denationalization», in John KAY, Colin MAYER and David THOMPSON (eds.), *Privatisation and Regulation — the UK Experience*, Oxford, Clarendon Press, 1986, pp. 299-321.



In the previous paragraphs, we have surveyed the literature to review some of the arguments on privatization. Many of these arguments are rather emotional, and summarize the philosophies of specific groups, political leaders, and union leaders. In the following paragraphs, we describe how we tried to get a picture of how experts in one local situation thought privatization would affect labour relations.

## METHOD

This project sought to predict the effects of privatization on labour relations in British Columbia. Specifically, executives within the B.C. Federation of Labour wished to understand how privatization might affect worker stability and wages, the structure and mechanisms for bargaining, the union's structure and size, and the like.

There are a plentiful range of rational and visionary methods for predicting the future. Rational forecasting models are based on the belief that a prediction of the future can be obtained by using economic data and social indicators of what happened in the past. Economists and sociologists have been instrumental in carrying out such studies. In other applications, plans have been «hopes» or «dreams» of what people would like or not like to happen. Animated, charismatic managerial and labour leaders have been instrumental in providing their visions of the future.

There are also a number of planning approaches which rely on the importance of experience over analysis. These prediction processes rely on the strategic input of people who have gained their appreciation of similar problems from a long history of experience. These approaches are probably most relevant in planning situations, where there is a great deal of polarity in opinions about the future and where the complexity about the future depends on a great number of intertwined or unstable factors. Planning in such an environment requires a recognition of «systems wide changes», which seek to bridge the polarity between competing groups<sup>28</sup>.

We chose to use a Delphi procedure because of its potential ability to solicit input from experts who may have different values and areas of interest. The Delphi

derives its importance from the realization that projections into the future [...] are largely based on personal expectations of individuals rather than on predictions derived from well-established theory. Even when we have a formal mathematical

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<sup>28</sup> See Calvin PAVA, «New Strategies of Systems Change: Reclaiming Nonsynoptic Methods», *Human Relations*, Vol. 39, No. 7, 1987, pp. 615-633.

model available — as is the case, for example, for various aspects of the national economy — the input assumptions, the range of applicability of the model, and the interpretation of the output all are subject to intuitive intervention by an individual who can bring appropriate expertise to bear on the application of the model<sup>29</sup>.

The Delphi method assumes that experts, when systemically sampled, can provide a valuable prediction of the future<sup>30</sup>. The method seeks to eliminate many of the problems which arise from interpersonal relations and group discussions, such as «group think». Group think is defined as the deterioration of mental deficiency, reality testing, and moral judgement that results from in-group pressures<sup>31</sup>. It also reduces decision errors resulting from dominant personalities, ego, pressure to conform, or issues that obscures the key points.

The Delphi seeks to guard against these dysfunctional decision-making dynamics with a series of iterative questionnaires where experts' judgements are kept anonymous. Its features can be summarized as: (1) anonymous information exchange; (2) controlled feedback; (3) summary by statistical group response<sup>32</sup>. It usually consists of a series of three reiterate questionnaires, where the results are anonymously shared between experts. These features reduce the likelihood of posturing and argumentativeness, especially between adversaries from the polarized world of labour relations.

### Sample

Three different groups, representing union, management, and neutrals, were asked to participate. Those targeted had expertise in labour relations, and in the case of union management, led a significant labour relations organization. Neutrals in this context included academics (the academics were also arbitrators), arbitrators, and a consultant. All participants were male, and enjoyed a distinguished reputation for expertise in labour relations.

While nineteen of the twenty people first approached agreed to participate, fifteen completed the study. These included four labour leaders,

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29 Olaf HELMER, *Analysis of the Future: The Delphi Method*, (P-3558), The RAND Corporation, March, 1967.

30 Olaf HELMER, *The Systematic Use of Expert Judgement in Operations Research*, (p-2795), The RAND Corporation, September 1963; Olaf HELMER, *Convergence of Expert Consensus Through Feedback*, (P-2973), The RAND Corporation, September 1964.

31 I.L. JANIS, *Victims of Groupthink*, 2nd ed., Houghton Mifflin, 1982, p. 61.

32 Norman C. DALKY, *Delphi*, (P-3704), The RAND Corporation, 1967; Norman C. DALKY and Olaf HELMER, *An experimental application of the Delphi method to the use of experts*, RM-727-PR (abridged), The RAND Corporation, 1962.

four management representatives, and seven neutrals<sup>33</sup>. Lack of accurate available information makes it impossible to say what percentage of public sector union members were represented; however two of the three largest public union leaders were participants, as were their management counterparts.

In beginning the study, we defined the specific features of the B.C. privatization plan so that we could develop the measures to use in the Delphi. Unfortunately, B.C. did not have a formal privatization program or plan<sup>34</sup>. Indeed, any formal definition of a plan may be very different from what political officials intend.

Several confidential interviews suggested that reducing the size and cost of government was a major goal. Government officials indicated that privatization was more of an economic response to improve the B.C.'s trading relationship with a commodity based world, and was not an attempt to «bash» the union. The program definition appeared to unfold on a daily basis as government officials sought to assess whether various government services should be privatized.

Open-ended interviews were initially conducted with each of the experts in this study. They were asked three basic questions: (i) What are some of the possible problems which may result from privatization? (ii) What are some of the possible positive features which may result from privatization? (iii) What are some of the suggestions you would make in resolving some of the problems you identified? The information from these questions resulted in four lists of events concerning: (1) the structure of collective bargaining, (2) union costs and efficiencies, (3) the size and power of unions, and (4) general effects<sup>35</sup>.

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<sup>33</sup> These were arbitrators, academics, and people who would not normally be representing one point of view.

<sup>34</sup> See: *Privatization: Steps to Employee Ownership*, Victoria, B.C. Government Pamphlet, ISBN 0-7726-7125-7.

<sup>35</sup> The same panel of experts was employed to develop the questions and respond to them. We recognize that some Delphi researchers would not do this because it may build distortions and bias into the structure. However, our discussions with Delphi experts (one of these experts was involved in the Delphi's development several years ago) at the University of Southern California led us to the conclusion that there was much merit in the expert's involvement in the creation of the measures of the future. There is also a body of qualitative research which indicates such involvement increases situational validity, reliability, and acceptance of a study. See: A. BAVELAS, «A method for investigating individual and group ideology», *Sociometry*, Vol. 5, 1942, pp. 371-377; B. CUNNINGHAM, «Gathering data in a changing organization», *Human Relations*, Vol. 36, 1983, pp. 403-492.

### **Data Collection**

The data collection involved three planned iterations of questioning and feedback. In each iteration of the questionnaire, experts were asked to rank order the possible events which might occur within the four areas of labour relations. They were encouraged to add comments they felt necessary to justify their positions and to comment on others. The process of interviewing and data collection took over three months. The time period between each interaction of the questionnaire should encourage people to rethink these issues and, perhaps, recognize the views of others. Thus, the final questionnaire results are the product of a long period where the researchers have tried to provoke respondents into recognizing a fuller range of issues.

The feedback reports of questionnaires 1 and 2 contained the rank ordering and comments within each of the four question areas. Some experts expressed some resistance to completing the third questionnaire, and indicated that their feelings would not change. Thus, data analysis of the second questionnaire was used to represent the final statement of expert views.

The data was analyzed by mean and median averaging. Median averaging was used to control for obvious polarized rankings in the total sample. This was not necessary for the small samples of individual groups of experts.

Only the top and bottom ranked comments which were consistently rated by all groups (employer, union leader counterpart, and neutral) are of interest. However, comments which were consistently ranked by 2 of the 3 groups are worthy of note.

### **FINDINGS: A PREDICTION OF THE FUTURE**

The following tables provides a prediction of the future of labour relations in B.C. as viewed by experts who completed all iterations of the questionnaire. It seeks to respond to the four general question areas concerning: (1) the structure of collective bargaining, (2) union costs and efficiencies, (3) the size and power of unions, and (4) general effects.

Four tables are presented which illustrate the final estimation of three groups of experts. The tables illustrate the average rankings for the employers, their union counterparts, and the group of neutrals.

We felt that a more reliable prediction was one where all groups consistently ranked certain items very high or very low. This might be ground to be somewhat confidence that such events would occur in the next five years if privatization continued in the same way. There are obvious cases, in this data, where union and management ideology were directly opposed. Thus, any prediction of the future, based on only two groups, would be less reliable.

### **Effects on Centralized Bargaining Structures**

The most consistent finding in Table 1 is that all groups felt the privatization will fragment the management side of the bargaining table, as more employers become involved due to the privatizing of individual units (see #9; the most consistent responses begin with asterisks). The net effect is seen in the following statement:

Privatization is likely to result in fragmentation on the management side of the bargaining table, as a number of small employers step in [...] the number of employers participating in collective bargaining is likely to increase substantially.

There is also an indication that the government will not break up centralized bargaining units to dilute opposition to privatization.

A second set of findings is supported by union leaders and neutrals, but not supported by the employer (these numbers are underlined). Table 1 indicates that experts believe that centralized bargaining will become more complex as a result of differing wages and benefits between different unions and locals involved. There is a view that privatization will indeed have an effect on centralized bargaining, that bargaining will be less manageable, and the bargaining units will become more complex (#1 and #6 reversed and #9). Indeed, the employer does not share the same view.

### **Implications for Labour Relations Stability**

Table 2 shows the diversity of views about the effects of privatization on future wages, strikes and lockouts, and general stability. There is much consistency in the views of all experts that privatization will affect workforce stability and wages. Disruptions will occur because of increased feelings of instability over job security (see #7 under stability). This may be a minor disruptions compared to strike action, and will primarily be an administrative problem for employers (see #1, #2, and #4 under Wages).

**Table 1**  
**Implications for Centralized Collective Bargaining**  
**(Mean and Median Ranking)**

<i>Abbreviated Statement and Ranking</i>	<i>Employer n = 4</i>	<i>Union n = 4</i>	<i>Neutral n = 7</i>	<i>Median n = 15</i>	<i>Mean n = 15</i>
<b>DECENTRALIZE COLLECTIVE BARGAINING</b>					
(1) Privatization will have little effect on central bargaining	2	<u>11</u>	<u>11</u>	11	7,69
(2) Privatization will mean an end to centralized bargaining	7	8	7	8	5,63
(3) The Government Employees Union will decentralize bargaining	4	2	7	6	6,13
(4) Decentralized bargaining is unlikely for the health sector	4	2	7	5	5,40
* (5) The government may break up centralized bargaining to dilute opposition to privatization	10	7	9	10	5,80
<b>FRAGMENTATION OF BARGAINING</b>					
(6) Fewer participants will make bargaining units more manageable	3	<u>10</u>	<u>10</u>	6	7,06
(7) Privatization and decentralized bargaining unit will dilute union power	10	9	2	3	4,56
* (8) Privatization will fragment management side of bargaining	1	2	1	2	4,69
* (9) Bargaining units will become more complex due to differing wages and benefits	9	<u>1</u>	<u>2</u>	1	4,47
(10) Industry wide negotiations may begin	7	5	6	9	7,38
(11) Fragmented bargaining arising from privatization will lead to more militancy from unions	6	4	4	4	5,06

A second set of findings (recognizing the views of union leaders and neutral observers) estimates that strikes and lockouts will increase. Management, however, is convinced that this will not occur. Thus, it is not possible to safely suggest that the strike action will increase, and the occasional strike action may be isolated (#4 reversed, and #5). Some respondents obviously felt that the incidence of strikes would increase, but the severity will decline because there will be smaller bargaining units involved.

As the government privatizes there will be a high possibility of more strikes/lockouts, but the severity will lessen as they will affect smaller bargaining units.

There was also a general feeling that employers and labour unions would find it difficult to improve labour relations (#8).

Experts were very consistent in their estimation that wages and benefits for newly privatized units will probably decline in the face of market forces. It was also felt that these decreases will have an effect on the public sector as a whole, pulling public sector wages down with them. These feelings are reflected in the following comments:

Where privatization results in smaller privatized bargaining units, the new economic circumstances will result in wage and benefit differentials between unions and within unions.

The prediction that wages and benefits would decline received more first place votes (9) than any other in the study.

### **Effects on Unions**

Privatization is seen by the expert group as having mixed effects on unions in a number of ways, as illustrated by Table 3.

Privatization is predicted to cost unions more money (#9) but was not seen as effecting their power and prestige (#2), nor cause splits between militant and moderates within unions. If there is any solace for unions, experts believe that privatization will be a single issue which all union members can relate to (#11). Respondents expressed this opinion in the following example:

Certainly it will make it more costly and difficult for the unions to service those units that *do* remain in the union, possibly reducing union cohesion, or [...] but it certainly gives us one issue to focus on.

**Table 2**  
**Implications for Wages and Labour Relations Stability**  
**(Mean and Median Ranking)**

<i>Abbreviated Statement and Ranking</i>	<i>Employer n = 4</i>	<i>Union n = 4</i>	<i>Neutral n = 7</i>	<i>Median n = 15</i>	<i>Mean n = 15</i>
<b>WAGES</b>					
* (1) Wage rates in newly privatized units will exceed the public sector wages	4	5	5	5	4,33
* (2) Wages will likely go down	1	3	1	1	1,40
(3) Competition for wage parity will cost government more to fund programs	3	4	2	4	3,33
* (4) Privatized units trading job security for wages will affect the public sector	2	2	2	2	2,73
(5) There can be no trade off job security for pay because privatization means not job security	4	1	3	3	3,20
<b>STRIKES</b>					
(1) Privatization will lead to more strikes and lockouts	6	<u>1</u>	<u>2</u>	4	4,81
(2) The severity of strikes and lockouts will decline	3	7	4	2	4,56
(3) Strikes and lockouts will become more severe	8	4	6	6	5,56
(4) Privatization will have minimal effects	4	<u>9</u>	<u>9</u>	7	6,00
(5) There will be more first contract disputes in newly privatized firms	7	<u>3</u>	<u>3</u>	4	4,31
(6) Newly privatized firms will see more mid-contract disputes	8	6	7	7	6,44
<b>STABILITY</b>					
* (7) Privatization will cause increased instability over job security	1	2	1	1	2,75
(8) Employers will be able to work toward better labour relations with employees	2	<u>7</u>	<u>8</u>	7	6,25
(9) Bumping via seniority will lead to disruptions in the workplace	4	5	5	3	4,38



There are differences of opinion about the effects of privatization on the size and power of unions. The employers' predictions are at odds with those of the union leaders and neutral observers. The employers are less convinced that the size of unions will decrease. They predicted that union membership would decline via privatization, although some noted the as yet unresolved issue of successorship would have an effect.

### **General Effects**

There is some partial support for the view there will be a long term legacy of increased animosity over the issue of privatization. Respondents equally supported the idea that the provincial government may unsettle labour relations for political gain, as shown by Table 4. Surprisingly, perhaps, some of the most harsh comments came not from union representatives, but from arbitrators:

It is clear that there is much room for privatization in the public sector but the speed, insensitivity and lack of foresight with which it is presently embraced in Victoria makes it hard to believe that it is not merely the preservation of a privately held political belief of the Premier who holds the view that economic development in B.C. is curtailed almost entirely by the trade union movement.

There seems to be a profound belief that economic recovery can be achieved only by removing the tyrannical yoke of the union leadership from the masses and the process to achieve this is to «privatize».

The overall tone of experts regarding the future of labour relations as affected by privatization was pessimistic, as reflected in the following opinions:

We are in very unhappy times. Government has elected to fundamentally change the nature of government, the nature of the employer-employee relationship, the concept of the public service, and the nature of job security.

Rather than specifics, I think it is this poisonous atmosphere which is the costly factor no one seems to consider. That, in the long run, may be the ultimate legacy of privatization, despite any short run economic gains.

### **CONCLUSIONS**

This section will first summarize the main results of this paper and offer some implications for the future of labor relations.

*Centralized Bargaining.* Privatization may fragment the management side of the bargaining table. A less consistent set of findings, supported only by union leaders and neutrals, indicates that centralized bargaining will

**Table 3**  
**General Implications for Unionization**  
**(Mean and Median Ranking)**

<i>Abbreviated Statement and Ranking</i>	<i>Employer n = 4</i>	<i>Union n = 4</i>	<i>Neutral n = 7</i>	<i>Median n = 15</i>	<i>Mean n = 15</i>
<b>SIZE AND POWER</b>					
(1) Privatization will reduce unions' size	8	<u>1</u>	<u>2</u>	1	4,06
*(2) Public sectors unions will lose power and prestige	11	12	10	10	7,94
(3) With successorship, unions can continue to maintain and expand	3	<u>9</u>	<u>9</u>	9	5,88
(4) Even with successorship, unions' bargaining rights eroded	10	6	6	9	6,31
(5) Non-traditional organizing will counter any reduction in membership	4	8	11	10	7,75
(6) Privatization will result in more (a) unions, (b) locals, (c) more of each**	7b	6b	7c	7	6,44
<b>UNIONS WILL CHANGE</b>					
*(7) Privatization will best be served by private sector unions	13	10	12	11	9,88
(8) Employees will be unlikely to stay unionized if they participate in scheme like incentive plans	1	<u>13</u>	<u>13</u>	10	7,94
<b>COSTS</b>					
*(9) Serving more bargaining units will cost unions more (a) money, (b) cohesion (c) both**	2c	4c	1c	2	3,27
(10) Privatization will divert union attention in a fight for survival	11	5	5	5	6,19
<b>MILITANCY</b>					
*(11) Privatization will make unions more militant	4	2	4	3	5,38
*(12) Privatization will cause splits between militant and moderates within unions	9	11	8	5	5,81
(13) New owners will be able to put more pressure on privatized units	6	3	3	3	5,88

**Table 4**  
**General Effects on Labour Relations**  
**(Mean and Median Ranking)**

<i>Abbreviated Statement and Ranking</i>	<i>Employer n = 4</i>	<i>Union n = 4</i>	<i>Neutral n = 7</i>	<i>Median n = 15</i>	<i>Mean n = 15</i>
<b>SIGNS OF INCREASING DIFFICULTIES</b>					
(1) Increased arbitration and litigation	6	4	5	6	5,39
* (2) Privatization will create class conscious workers pursuing economic and social goals	10	11	11	11	7,88
(3) Privatization's long term legacy will be increased animosity	10	<u>2</u>	<u>1</u>	1	4,19
(4) Governments may use privatization to unsettle matters for political gain	8	<u>1</u>	<u>2</u>	1	3,93
(5) It will be important for unions to demonstrate resistance to privatization	4	4	3	3	4,88
<b>SIGNS OF CHANGES IN UNIONS</b>					
* (6) Public sector unions will have to learn how to properly represent private sector unions	8	10	10	10	7,00
(7) Private sector unions may organize ex-public sector workers	1	6	4	4	4,63
(8) Private sector unions may resist public sector unions organizing in the private sector	2	8	6	6	6,13
(9) Privatization will mean diminished room for negotiating	7	7	8	9	7,13
(10) In the long term, unions will change to small or medium sized unions	2	8	8	8	6,63
(11) Privatization will result in increased union solidarity	5	3	7	5	6,06

become more complex as a result of differing wages and benefits between different unions and locals involved. Bargaining will be less manageable, and the bargaining units will become more complex.

*Stability.* Privatization will affect workforce stability and wages. This may be administrative disruptions from relocating workers, filling job vacancies, and responding to problems and complaints from relocating workers. Experts were very consistent in their estimation that wages and benefits for newly privatized units will probably decline in the face of market forces. It was also felt that these decreases will have an effect on the public sector as a whole, pulling public sector wages down with them.

Other results (recognizing the views of union leaders and neutral observers) estimates that strikes and lockouts will increase. It is not possible to safely suggest that the strike action will increase, and the occasional strike action may be isolated.

*The Size and Costs of Unions.* Privatization is predicted to cost unions more money, but there is no support for the view that it will cause splits between militant and moderates within unions. There was also a general feeling that employers and labour unions would find it difficult to improve labour relations during this period.

In January, 1990, more than one year after this study was completed, we must ask whether these results still hold. Government officials are quick to point out that «a period of labour unrest and strike has not occurred. It did not happen in Great Britain and New Zealand, and it has not happened in British Columbia<sup>36</sup>». However, this study did not make such a prediction.

It is still not clear whether the privatization has provided government service at a lower cost. However, the initial push to privatize has slowed considerably as it becomes harder to identify economically and politically appealing targets. Some of most visible public corporations for hydro, ferries, and automobile insurance have not been the subject of serious privatization discussions.

The key predictions of the future of labour relations still seems to be true one year later. Those who criticize the privatization program are quick to point a number of problems:

1. Political popularity has been difficult to achieve as privatization has cut many government employees and programs. The government has lost all six bi-elections, even in regions which have traditionally been strong holds.

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36 A statement from the leading government negotiator.

2. Privatization may, in certain cases, result in a lower quality of service by government agencies. Newspaper reports and union statements and advertisements have underlined concerns about the lack of availability of hospital services, welfare assistance and highway safety.
3. There are a number of expressions of work instability from job loss, uncertainty about the future, and a general lower morale in the central government departments. Some privatized organizations report a high level of satisfaction among workers who are still employed, although little is known about the whereabouts of those who have left. There are also reports that privatized workers are very bitter about an experience where they observed the severance of employees with fifteen or more years of seniority.
4. Unions still refuse to take part in any cooperative venture such as the labour relations board or other joint ventures on safety and health. They refuse to allow government agencies to monitor strike votes in defiance of legislation.
5. Unions officials have indicated that their work load has increased and have expressed difficulty in responding to many of the issues they have to deal with.

The true impact of privatization will probably not be known for a number of years. However, it is clear that the issues are much more complicated than simply transferring some production and service activities to the private sector. Labour relations implications seem to be paramount.

### ***La privatisation en Colombie-Britannique: enquête auprès des spécialistes***

Dans plus de cent pays, on a implanté la privatisation ou l'on a fait des recherches sur le sujet. L'attention qu'on y apporte est en parallèle avec les inquiétudes relatives à l'augmentation de l'importance et du nombre des États tant sous les régimes démocratiques et totalitaires que dans les pays capitalistes ou socialistes.

Le gouvernement de la Colombie-Britannique s'est servi du concept de la privatisation pour promouvoir un certain nombre d'idées portant sur la restructuration du gouvernement. Ces idées incluent: un gouvernement plus réceptif à ce qu'il peut faire de mieux, en instituant une politique, en administrant et en fournissant les services que le secteur privé ne peut pas donner efficacement; l'élaboration de possibilités nouvelles de création d'entreprises et d'emplois de même qu'une diminution des coûts. On peut noter plusieurs exemples valables de privatisation, tels l'entretien des routes et des ponts, les services d'impressions du gouvernement, etc.

L'établissement de prévisions exactes en ce qui a trait à l'avenir des relations professionnelles en Colombie-Britannique est difficile à dissocier de l'émotivité. Celles-ci dépendent en grande partie de l'idéologie patronale ou syndicale. Toutefois, les questions concernant l'avenir des relations du travail face à la privatisation renvoient à quatre sujets principaux: la structure et les mécanismes de négociation; la stabilité de l'emploi et les salaires; la dimension, la force et le militantisme des syndicats et d'autres conséquences, dont on ne s'est pas encore rendu compte.

Bien des gens ont exprimé des inquiétudes au sujet des tentatives de privatisation des services gouvernementaux. Comme la privatisation peut entraîner le déplacement ou l'élimination d'emplois dans le secteur public, la question est très importante pour le syndicalisme. Cette étude, par conséquent, a pour objet d'en examiner les effets sur les relations professionnelles en Colombie-Britannique.

Nous avons choisi d'utiliser la méthode *Delphi* qui consiste à faire appel à l'expérience de spécialistes qui oeuvrent dans divers champs d'activités en leur soumettant des questionnaires réitératifs de façon à en distribuer les réponses anonymement entre les spécialistes. Ceci encourage à la recherche de consensus plutôt qu'à des expressions personnelles d'opinions.

On a demandé la participation de trois groupes différents représentant les syndicats, les employeurs et les indépendants ou les neutres. Les personnes choisies possédaient de l'expérience dans les relations professionnelles ( $n = 15$ ). Les responsables syndicaux dirigeaient une association importante, les neutres comprenaient des professeurs d'université (ceux-ci agissant aussi comme arbitres), des arbitres et un consultant. Tous les participants étaient de sexe masculin et jouissaient d'une haute renommée d'expertise en matière de relations du travail.

À chaque réitération du questionnaire, on a demandé à ces spécialistes de donner l'ordre plausible des événements qui pourraient survenir dans les quatre champs d'action se rapportant aux relations du travail. On les incitait à y ajouter les explications qu'ils estimaient nécessaires pour justifier leurs opinions et à apporter des commentaires s'ils le jugeaient pertinent. Le processus des interviews et la cueillette des données ont duré plus de trois mois. La période, qui s'est écoulée entre chaque échange de questionnaires, avait pour objectif d'encourager les participants à réfléchir davantage aux questions en jeu et, peut-être, à accepter les points de vue de leurs collègues. Donc, les conclusions auxquelles ils en sont arrivées sont le fruit d'une longue méditation au cours de laquelle les chercheurs ont essayé de provoquer chez leurs répondants la reconnaissance d'un éventail complet des enjeux possibles. Certains résultats se dégagent de cette étude.

## LA NÉGOCIATION CENTRALISÉE

La privatisation peut fragmenter le côté patronal à la table des négociations. Un aspect moins consistant des conclusions, soutenu uniquement par les dirigeants syndicaux et les neutres, indique que la négociation centralisée deviendra plus complexe

du fait de l'existence de salaires et d'avantages sociaux différents entre les divers syndicats et sections locales qui sont parties aux pourparlers. La négociation sera moins facile à manoeuvrer et les unités de négociation deviendront plus complexes.

### **LA STABILITÉ DES EMPLOIS ET DES SALAIRES**

La privatisation influencera la stabilité de la main-d'oeuvre et des salaires. Cela peut se traduire par des perturbations dues à la relocalisation des travailleurs, la nomination aux postes vacants, la réponse aux problèmes et aux plaintes de la part des salariés relocalisés. Les spécialistes s'accordent à prédire que les salaires et les avantages sociaux dans les groupes de travailleurs touchés par une nouvelle privatisation décroîtront probablement sous l'effet des forces du marché du travail. On présente aussi que ces diminutions auront des répercussions sur le secteur public en général, y entraînant un recul des salaires.

D'autres observations (qui traduisent les points de vue des dirigeants syndicaux et des neutres) considèrent que le nombre des grèves et des lock-out augmentera. On ne peut cependant en déduire avec certitude que les mouvements de grèves s'accroîtront, car il pourrait s'agir d'actions isolées, occasionnelles.

### **PUISSANCE DES SYNDICATS ET COÛT DE L'ACTION SYNDICALE**

La privatisation rendra l'activité syndicale financièrement plus coûteuse, mais il n'y a pas d'indice permettant de croire qu'il s'ensuivra des divisions dans les syndicats entre les plus ardents militants et les syndicalistes modérés. C'est également l'impression générale que les employeurs et les syndicats auraient fort à faire pour améliorer les relations professionnelles durant cette période.

Il n'est pas encore évident que la privatisation ait abaissé le coût des services gouvernementaux. Toutefois, l'engouement initial en sa faveur a beaucoup ralenti car il devient plus difficile d'identifier des cibles attirantes tant au plan économique que politique. Quelques-unes des entreprises publiques les plus en vue, comme les services d'électricité et de traversiers ainsi que l'assurance-automobile, n'ont pas fait l'objet de débats sérieux à ce sujet.

Les prévisions clés, en ce qui concerne l'avenir des relations du travail, semblent encore vraies après un an. Les effets définitifs de la privatisation ne seront pas connus avant nombre d'années. Cependant, il est certain que les conséquences en seront bien plus complexes que le seul fait de transférer certaines activités de production et de services au secteur privé. Celles qui touchent le domaine des relations professionnelles semblent être d'une importance majeure.